



OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON

WASHINGTON, DC 20301-3000

ACQUISITION AND  
TECHNOLOGY

February 1, 1999

DP (DAR)

In reply refer to  
DAR Tracking No.: 99-D0001

MEMORANDUM FOR COMMANDER, DEFENSE CONTRACT MANAGEMENT COMMAND,  
DEFENSE LOGISTICS AGENCY

SUBJECT: Class Deviation from Federal Acquisition Regulation (FAR)  
32.1000(d), Use of Performance-Based Payments

I authorize the Defense Contract Management Command (DCMC) to deviate from the requirements of FAR 32.1000(d) to permit performance-based payments type of financing under the following contracts awarded through competitive negotiation procedures:

F34601-96-C-0001 (Pacer Compass Radar and Global Positioning  
System - modernization of KC-135 avionics)  
DAAB07-94-C-D315 (ARC-220 radio system/Nap-of-the-Earth)  
F19628-97-D-0016 (Joint Tactical Information Distribution System  
follow-on production)

FAR 32.1000(d) prohibits the use of the FAR clause at 52.232-32, Performance-Based Payments, in competitively awarded contracts. This authorization permits contracting officers to change the financing terms of the competitively awarded contracts listed above to include performance-based payments only if they obtain adequate consideration.

This deviation stems from a Single Process Initiative concept, submitted to DCMC, to establish a common process for contract financing on existing contracts based on contract performance rather than on cost. The proposed shift from cost-based to performance-based financing will allow the use of commercial enterprise resource planning packages that could not be used in a cost-based environment without substantial modification. DCMC anticipates this change will result in reduced indirect expenses that will be reflected in future forward pricing rate agreements (FPRAs), and will reduce the administrative costs associated with cost-based financing.

Eleanor R. Spector  
Director, Defense Procurement

cc: SAF/AQC  
ASA (Procurement) ✓  
DSMC, Ft. Belvoir

